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TREASURY FOR SZUBIN, LEV AND POLLACK; CAIRO FOR SEVERENS

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TAGS: [EFIN](#) [ETTC](#) [KTFN](#) [PTER](#) [PREL](#) [PGOV](#) [UNSC](#) [LY](#)
SUBJECT: TREASURY OFAC DIRECTOR SZUBIN'S MEETING WITH LIBYAN MINISTRY
OF FINANCE OFFICIALS

CLASSIFIED BY: Chris Stevens, CDA, Embassy Tripoli, U.S. Dept of State.

REASON: 1.4 (b), (c), (d)

11. (C) Summary: In a meeting with Libyan finance, banking and security officials on November 12, visiting Treasury Office of Foreign Assets Control Director Adam Szubin stressed two key messages: 1) the U.S. stands ready to help the GOL engage more effectively with the U.N 1267 Committee to ensure that GOL submissions are accepted by the Committee, and; 2) the U.S. urges Libya to exercise appropriate oversight over foreign Libyan banks with respect to their dealings with Iran, consistent with UNSC resolutions on Iran and the risk of dealing with Iranian institutions.. Libyan officials stressed their willingness to share further bio-identifying and evidentiary information to support their UNSCR 1267 listing requests. Libya views money laundering, corruption and counter-terrorism finance as interrelated issues and has adopted stringent measures under a 2005 law against money laundering. GOL officials complained that Italian and U.S. authorities had not responded to their requests for information in two widely publicized corruption cases; Szubin encouraged them to submit the request through Treasury's Financial Intelligence Unit (FIU) and offered to assist with that exchange if needed. On Libyan banks dealing with Iran, GOL officials took a legalistic approach, arguing that large numbers of European banks and companies continued to do business with Iran, and that any foreign banks in which the GOL has a stake are subject to the oversight of the regulatory authorities of the countries in which they are located, who bear responsibility for issuing and implementing regulations to ensure compliance with Iran-related strictures. Szubin pushed back, noting that most major European banks have curtailed dealings with Iran and underscoring the risks for Libya if its state-owned banks sought to reap short-term commercial gains by dealing with Iranian banks. The international consensus is that the risks associated with dealing with Iranian banks are great, owing to Iran's pervasive lack of transparency. In the U.S. view, should Libya choose to ignore that consensus for the sake of potential short-term business gains, it risks considerable damage to its financial sector and its international reputation.
End summary.

Meeting participants:

Libya:

Ashur Treybil, Ministry of Finance Undersecretary
Nasser Ashur, Economic Security Directorate, External Security Organization
Muhammad Najib al-Jamal, Director of Economic Affairs, National Security Council
Dr. Hend Siala, National Security Council
Tajuri el-Sheradi Tajuri, Director of United Nations Affairs,

Ministry of Foreign Affairs
Muhammad Abu Sneina, Director of Banking Supervision & Exchange
Control, Central Bank

U.S.:
OFAC Director Adam Szubin
Charge d'Affaires Chris Stevens
OFAC Senior Advisor Ori Lev
Treasury Analyst Gregory Pollock
A/DCM John Godfrey (notetaker)

12. (C) Treasury Office of Foreign Assets Control Director Adam Szubin and a small delegation visited Tripoli and met with Libyan interlocutors on November 12. Szubin stressed the effectiveness of financial sanctions tools in countering terrorism finance and curbing funding for weapons of mass destruction proliferators and states of particular concern, such as Iran. The U.S. shares key strategic goals with the Government of Libya (GOL), particularly with respect to combating al-Qaeda and the Libyan Islamic Fighting Group (LIFG). Szubin and his team had two main goals in visiting Libya: 1) discussing how the U.S. and GOL can better share information with respect to proposed listings with the UN 1267 Committee, and how the U.S. can assist the GOL in refining its submissions to the UN 1267 Committee, and; 2) conveying the USG's concern about Libyan-affiliated foreign banks located in Europe dealing with Iran, notwithstanding the emerging international consensus regarding the risk of such dealings in light of Iran's deceptive conduct in the financial sector.

UNSCR 1267 LISTING SUBMISSIONS

13. (C) On UN 1267 Committee modalities, Szubin highlighted the threat of terrorist financiers, including those from Europe, and stressed the utility of sanctions in denying such individuals access to the international banking system and the ability to

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travel freely. The UN sanctions process can be very effective, but successful listing requests require clear evidentiary information and proper formatting. Praising the GOL's decision to avail itself of the UNSCR 1267 mechanism, he noted that most of the GOL's submissions had not been accepted for designation to date. Despite the fact that the U.S. strongly supports the GOL's efforts to combat terrorism through the UNSCR 1267 mechanism, it has been compelled to put holds on many of the GOL's submissions because of shortcomings in the format of the GOL's submissions and insufficient evidentiary information. Previous engagement on this issue with the MFA and Libya's UN delegation had yielded limited results.

14. (S) Szubin said the U.S. believes Libya's implementation of UNSCR 1267 designations had been strong and wants to support Libya's UNSCR 1267 listing submissions; however, USG standards for biographical and evidentiary data had not been met to date. By way of example, Libya's initial submission of 74 names in August 2004 had been badly formatted and only three of the 12 names Libya submitted in May 2005 were ultimately added to the Consolidated List. Stipulating that the primary burden for generating information and properly formatting GOL listing requests might rest with Libya's security organizations and MFA, respectively, and not with its economic and finance ministries, Szubin noted that he would be discussing this issue in a mtg with the MFA later that day. (Note: Copies of draft Statements of Case for LIFG leaders were passed in the subsequent meeting with MFA officials. End note.) He assured his interlocutors that OFAC stood ready to assist the GOL in its efforts to craft submissions that secured designation of individuals who were of concern to the GOL. The key issue from the U.S. perspective was to facilitate good communication between the GOL's security agencies and MFA and the USG and UN to obtain sufficient information about terrorist financiers to support listing them under UNSCR 1267. Ideally, we would like to see all Libyan listing requests succeed. It appeared that, in part because of U.S. holds on Libyan submissions, Libya had placed holds on several U.S. submissions for listing. Here, too, the problem

was not/not a difference in the two sides' objectives, but a lack of communication.

15. (C) Stressing that the proper channels for coordination on UNSCR 1267 issues were the MFA and Libya's UN delegation, U/S Treybil affirmed the GOL's interest in cooperating with the U.S. to refine its submissions. He assured Szubin that relevant authorities (the security organizations and MFA) would pass any needed information to the U.S. Noting that the GOL had been ahead of the curve in arguing for more robust counter-terrorism (CT) efforts in the 1990's, he said Libya had adopted a number of national measures to facilitate CT efforts, particularly with respect to increased monitoring of bank transactions and financial activity.

16. (C) Libyan NSC Economic Affairs Director al-Jamal highlighted anti-money laundering laws (Law Number 2 of 2005) as an example of Libya's efforts on CT finance, and shared that the Ministry of Finance Auditing Department played a key role in monitoring financial transactions and money-laundering. (Note: Our previous understanding was that the Central Bank led those efforts and that MinFin's role was marginal. End note.) The Central Bank's Abu Sneina explained the GOL's mechanism for distributing information within Libya's financial system about individuals and entities designated under UNSCR 1267: the MFA's International Organization Department (MFA/IO) conveys the information to the CB's Banking Supervision and Exchange Control Department, which then circulates the information to Libya's state-owned and semi-private banks. Banks theoretically inform the CB if any AQ or Taliban designees are determined to have conducted transactions through Libyan banks; the CB then passes that information to MFA/IO and Libya's UN Mission. The CB's Banking Supervision and Exchange Control Department also plays a lead role in implementing anti-money laundering guidelines issued by a special national anti-money laundering committee operating under the auspices of the General People's Congress (Parliament-equivalent). The CB's Financial Crimes Unit was the principal point of contact for banks to report suspicious transactions. NSC Adviser Siala stressed the GOL's interest in obtaining U.S. training in areas such as CT finance and banking controls.

17. (C) External Security Organization (ESO) official Nasser Ashur stressed the need for transparency and reciprocity in sharing information. Libya's laws and regulations complied with international standards and the GOL therefore insisted on full

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cooperation and transparency. Stressing the links between money laundering, corruption and CT finance, he complained about the lack of responsiveness of Italian and U.S. authorities in two recent and widely publicized corruption cases. The first involved an alleged plot by Libyan defense procurement officials to obtain via Italian brokers large numbers of assault rifles from China, ostensibly for re-export to Iraq. Complaining that requests to Italian and Swiss authorities for further information had gone unanswered, Ashur claimed the GOL's investigation had demonstrated that the defense procurement officials had acted properly and that the arms contracts were above board. The second case involved allegations that Norwegian StatOil officials paid bribes in the millions of dollars to Libyan officials to secure hydrocarbon exploration and production sharing contracts. Stressing that the GOL needed more information to pursue its investigation of Libyan officials implicated in the case, Ashur complained that Libya's requests in intelligence channels for further information about the case from the Department of Justice had gone unanswered. Noting that law enforcement channels can sometimes move slowly, Szubin encouraged the GOL to submit appropriate requests for information to the Department of Treasury's Financial Intelligence Unit (FIU), FinCEN, as well.

IRAN SANCTIONS ISSUES & CONCERNS ABOUT LIBYAN BANKS' ACTIVITIES

18. (C) On efforts to increase pressure on Iran to prompt

compliance with WMD-related UNSCR's, Szubin raised concern about Libyan-owned or affiliated banks in third countries agreeing to conduct transactions with Iranian banks and other entities. Iran's established practice of moving funds for WMD development and terrorist programs under false names and front companies had prompted the world's responsible banks to refrain from dealing with Iranian banks. International sanctions efforts under the auspices of four UNSCR's had made it difficult for Iran to find international banks to hold its accounts and issue letters of credit for its transactions. In addition, the Financial Action Task Force recently issued a third warning urging vigilance with respect to dealing with Iranian banks. Szubin urged the GOL to do all it could to ensure that foreign banks owned by, or affiliated with, the Libyan Foreign Bank were exercising due caution in dealing with Iranian banks. The danger for Libya was that a small bank exposed to bad practices or corrupt dealings by Iranian banks could lead to repercussions against Libyan-owned financial entities and the perception that the GOL had not taken seriously its commitments under relevant UNSCRs to enforce sanctions against Iran.

GOL ADOPTS UNHELPFUL APPROACH

¶9. (C) ESO official Ashur and NSC official al-Jamal argued that large numbers of European companies and banks continued to deal with Iran. Adopting a legalistic approach, al-Jamal argued that small European banks in which Libya had ownership stakes were subject to the oversight of European central banks, which bore responsibility for issuing and implementing regulations to ensure compliance with Iran-related strictures. Libyan-owned banks operated under joint directorships; their boards took decisions based on the banks' commercial interests. Pushing back, Szubin stressed that most major European banks had determined that the risks of dealing with Iranian banks were too great to bear because of Iran's pervasive lack of transparency. The U.S. does not want to see Libyan-owned banks moving to fill the vacuum of Iran's banking needs for commercial reasons. The potential long-term risks for Libya's financial sector and international reputation were considerable, outweighing (in the U.S. view) any potential short-term business gains.

¶10. (U) OFAC Director Szubin's party cleared this message.
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